

(Official Form 1) (12/03)

FORM B1 United States Bankruptcy Court District of Delaware		Voluntary Petition																							
Name of Debtor (if individual, enter Last, First, Middle): M T S, Incorporated, a California corporation		Name of Joint Debtor (Spouse) (Last, First, Middle):																							
All Other Names used by the Debtor in the last 6 years (include married, maiden, and trade names):		All Other Names used by the Joint Debtor in the last 6 years (include married, maiden, and trade names):																							
Last four digits of Soc. Sec. No./Complete EIN or other Tax I.D. No. (if more than one, state all): 94-1500342		Last four digits of Soc. Sec. No./Complete EIN or other Tax I.D. No. (if more than one, state all):																							
Street Address of Debtor (No. & Street, City, State & Zip Code): 2500 Del Monte St. West Sacramento, CA 95691		Street Address of Joint Debtor (No. & Street, City, State & Zip Code):																							
County of Residence or of the Principle Place of Business: Sacramento, CA		County of Residence or of the Principle Place of Business:																							
Mailing Address of Debtor (if different from street address):		Mailing Address of Joint Debtor (if different from street address):																							
Location of Principal Assets of Business Debtor (if different from street address above):																									
Information Regarding the Debtor (Check the Applicable Boxes)																									
Venue (Check any applicable box) <input type="checkbox"/> Debtor has been domiciled or has had a residence, principal place of business, or principal assets in this District for 180 days immediately preceding the date of this petition or for a longer part of such 180 days than in any other District. <input checked="" type="checkbox"/> There is a bankruptcy case concerning debtor's affiliate, general partner, or partnership pending in this district.																									
Type of Debtor (Check all boxes that apply) <input type="checkbox"/> Individual(s) <input type="checkbox"/> Railroad <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Stockbroker <input type="checkbox"/> Partnership <input type="checkbox"/> Commodity Broker <input type="checkbox"/> Other _____ <input type="checkbox"/> Clearing Bank		Chapter or Section of Bankruptcy Code Under Which the Petition is Filed (Check one box) <input type="checkbox"/> Chapter 7 <input checked="" type="checkbox"/> Chapter 11 <input type="checkbox"/> Chapter 13 <input type="checkbox"/> Chapter 9 <input type="checkbox"/> Chapter 12 <input type="checkbox"/> Sec. 304 – Case ancillary to foreign proceeding																							
Nature of Debts (Check one box) <input type="checkbox"/> Consumer/Non-Business <input checked="" type="checkbox"/> Business		Filing Fee (Check one box) <input checked="" type="checkbox"/> Full Filing Fee attached <input type="checkbox"/> Filing Fee to be paid in installments (Applicable to individuals only) Must attach signed application for the court's consideration certifying that the debtor is unable to pay fee except in installments. Rule 1006(b). See Official Form No. 3.																							
Chapter 11 Small Business (Check all boxes that apply) <input type="checkbox"/> Debtor is a small business as defined in 11 U.S.C. § 101 <input type="checkbox"/> Debtor is and elects to be considered a small business under 11 U.S.C. § 1121(e) (Optional)																									
Statistical/Administrative Information (Estimates only) <input checked="" type="checkbox"/> Debtor estimates that funds will be available for distribution to unsecured creditors. <input type="checkbox"/> Debtor estimates that, after any exempt property is excluded and administrative expenses paid, there will be no funds available for distribution to unsecured creditors		THIS SPACE IS FOR COURT USE ONLY																							
<table style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: left;">Estimated Number of Creditors</th> <th style="text-align: center;">1-15</th> <th style="text-align: center;">16-49</th> <th style="text-align: center;">50-99</th> <th style="text-align: center;">100-199</th> <th style="text-align: center;">200-999</th> <th style="text-align: center;">1000-over</th> </tr> <tr> <td></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> </tr> </table>			Estimated Number of Creditors	1-15	16-49	50-99	100-199	200-999	1000-over		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>									
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(Official Form 1) (12/03)

FORM B1, Page 2

Voluntary Petition <i>(This page must be completed and filed in every case)</i>		Name of Debtor(s): M T S Incorporated, a California Corporation	
Prior Bankruptcy Case Filed Within Last 6 Years (If more than one, attach additional sheet)			
Location Where Filed:		Case Number:	Date Filed:
Pending Bankruptcy Case Filed by any Spouse, Partner or Affiliate of this Debtor (If more than one, attach additional sheet)			
Name of Debtor: See Attached Exhibit 1.		Case Number:	Date Filed:
District:		Relationship:	Judge:

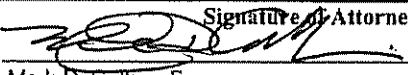
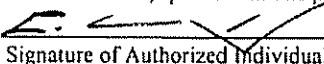
SIGNATURES	
<p style="text-align: center;">Signature(s) of Debtor(s) (Individual/Joint)</p> <p>I declare under penalty of perjury that the information provided in this petition is true and correct.</p> <p>[If petitioner is an individual whose debts are primarily consumer debts and has chosen to file under chapter 7] I am aware that I may proceed under chapter 7, 11, 12 or 13 of title 11, United States Code, understand the relief available under each such chapter, and choose to proceed under chapter 7.</p> <p>I request relief in accordance with the chapter of title 11, United States Code, specified in this petition.</p> <p>X _____ Signature of Debtor</p> <p>X _____ Signature of Joint Debtor</p> <p>_____ Telephone Number (if not represented by attorney)</p> <p>_____ Date</p>	<p style="text-align: center;">Exhibit A</p> <p>(To be completed if debtor is required to file periodic reports (e.g., forms 10K and 10Q) with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and is requesting relief under chapter 11)</p> <p><input type="checkbox"/> Exhibit A is attached and made a part of this petition</p> <p style="text-align: center;">Exhibit B</p> <p>(To be completed if debtor is an individual whose debts are primary consumer debts)</p> <p>I, the attorney for the petitioner named in the foregoing petition, declare that I have informed the petitioner that [he or she] may proceed under chapter 7, 11, 12, or 13 of title 11, United States Code, and have explained the relief available under each such chapter</p> <p>X _____ Signature of Attorney for Debtor(s) Date</p>
<p>X  _____ Signature of Attorney Mark D. Collins, Esq. Richards, Layton & Finger, P.A. One Rodney Square, P.O. Box 551 Wilmington, DE 19899 Telephone (302) 651-7700 and Fax (302) 651-7701</p> <p>and</p> <p>Stephen Warren, Esq. O'Melveny & Myers LLP 400 S. Hope St. Los Angeles, CA 90071 Telephone (213) 430-6000 and Fax (213) 430-6407</p> <p>_____ Date <u>2/9/04</u></p>	
<p style="text-align: center;">Exhibit C</p> <p>Does the debtor own or have possession of any property that poses a threat of imminent and identifiable harm to public health or safety?</p> <p><input type="checkbox"/> Yes, and Exhibit C is attached and made a part of this petition.</p> <p>X No</p>	
<p style="text-align: center;">Signature of Debtor (Corporation/Partnership)</p> <p>I declare under penalty of perjury that the information provided in this petition is true and correct, and that I have been authorized to file this petition on behalf of the debtor.</p> <p>The debtor requests relief in accordance with the chapter of title 11, United States Code, specified in this petition</p> <p>X  _____ Signature of Authorized Individual E. Allen Rodriguez Printed Name of Authorized Individual Chief Executive Officer Title of Authorized Individual February 9, 2004 Date</p>	
<p style="text-align: center;">Signature of Non-Attorney Petition Preparer</p> <p>I certify that I am a bankruptcy petition preparer as defined in 11 U.S.C. § 110, that I prepared this document for compensation, and that I have provided the debtor with a copy of this document.</p> <p>_____ Printed Name of Bankruptcy Petition Preparer</p> <p>_____ Social Security Number</p> <p>_____ Address</p> <p>Names and Social Security numbers of all other individuals who prepared or assisted in preparing this document:</p> <p>If more than one person prepared this document, attach additional sheets conforming to the appropriate official form for each person.</p> <p>X _____ Signature of Bankruptcy Petition Preparer</p> <p>_____ Date</p> <p>A bankruptcy petition preparer's failure to comply with the provisions of title 11 and the Federal Rules of Bankruptcy Procedure may result in fines or imprisonment or both 11 U.S.C. § 110; 18 U.S.C. § 156</p>	

Exhibit 1

List of Filing Entities

Tower Records, Incorporated
M T S, Incorporated
Three A's Holdings, L.L.C.
8775 Sunset, Inc.
Columbus & Bay, Inc.
Jeremy's Holdings, LLC
R.T. Records, Incorporated
Tower Direct LLC
33rd Street Records, Incorporated
T.R. Services, Incorporated
Ireland TR, Incorporated
Pipernick Corp.
TR Argentina, Incorporated
TR Israel, Incorporated
TR Mexico, Incorporated
Tower Graphics, Incorporated

CERTIFICATE OF SECRETARY OF
MTS, INCORPORATED

The undersigned, DeVaughn D. Searson, hereby certifies that:

1. He is the duly elected and qualified Secretary of MTS, Incorporated (the "Company").
2. Attached hereto as Exhibit A is a true and correct copy of resolutions adopted by the Board of Directors of the Company on February 5, 2004, and no other resolutions have been adopted relating to the subject matter thereof by such Board of Directors or any committee thereof.

IN WITNESS WHEREOF, the undersigned has executed this Certificate this 5th day of February, 2004.



DeVaughn D. Searson
Secretary

EXHIBIT A

Resolutions

Ratification and Approval of Joint Plan of Reorganization and Approval of Filing of Petition Under Chapter 11 of the United States Bankruptcy Code

WHEREAS, the Corporation has effected an exchange offer to the holders of the Corporation's 9 $\frac{3}{4}$ % Senior Subordinated Notes due 2005 (the "Notes") and solicited the vote of such holders on a prepackaged Joint Plan of Reorganization (the "Joint Plan of Reorganization") in accordance with Chapter 11 of Title 11, United States Code, 11 U.S.C. §§ 101, et seq. (the "Bankruptcy Code");

WHEREAS, the Corporation has received the required approval from the holders of the Notes for the exchange offer and the Joint Plan of Reorganization;

WHEREAS, the Joint Plan of Reorganization is in the best interests of the Corporation and its shareholders and creditors;

WHEREAS, in order to consummate the Joint Plan of Reorganization, the Corporation desires to file a petition under Chapter 11 of the Bankruptcy Code;

WHEREAS, the Corporation has requested that The CIT Group/Business Credit, Inc. ("CIT"), and certain other financial institutions (together with CIT, the "Lenders"), and the Lenders have agreed to, extend a postpetition credit facility to the Corporation in an aggregate principal amount not to exceed \$100,000,000 by amending the existing credit facility provided by the Lenders; and

WHEREAS, the postpetition loans, advances and other financial accommodations to be provided by the Lenders are in the best interests of the Corporation.

NOW THEREFORE, be it:

RESOLVED, that, based on factors and information deemed relevant by the Board of Directors, in the judgment of the directors of the Corporation, it is in the best interest of the Corporation, its creditors, its shareholders and other interested parties, that a petition be filed pursuant to Chapter 11 of the United States Bankruptcy Code on behalf of the Corporation to pursue confirmation of the Joint Plan of Reorganization and preserve the value available to the creditors and shareholders of the Corporation and its subsidiaries.

RESOLVED FURTHER, that filing of a voluntary petition on behalf of the Corporation be, and the same hereby is, approved and adopted in all respects and that the Chief Executive Officer be, and hereby is, authorized, on behalf of the Corporation, to execute and verify a petition and any other supporting documents, applications or pleadings, and to cause the same to be filed with the United States Bankruptcy Court for the District of Delaware, or in such other jurisdiction or court as said officer may deem necessary or appropriate (the "Bankruptcy Court").

RESOLVED FURTHER, that the Joint Plan of Reorganization be, and the same hereby is, approved and adopted in all respects and the officers of the Corporation be, and each hereby is, authorized, on behalf of the Corporation, to pursue confirmation of the Joint Plan of Reorganization by the Bankruptcy Court pursuant to Section 1129 of the Bankruptcy Code.

RESOLVED FURTHER, that each of the officers of the Corporation be, and hereby is, authorized to execute and file all petitions, schedules, statements of affairs, lists and other papers and to take any and all related actions which such officer may deem necessary or proper in connection with such Chapter 11 case or pursuit of confirmation of the Joint Plan of Reorganization;

RESOLVED FURTHER, that the officers of the Corporation be, and each hereby is, authorized to retain on behalf of the Corporation such counsel, investment bankers or other financial advisors, and such other professionals as such officer deems necessary or appropriate, upon such terms and conditions as such officer shall approve, to render services to the Corporation in connection with such Chapter 11 proceedings and with respect to other related matters in connection therewith;

RESOLVED FURTHER, that the Amended and Restated Loan and Security Agreement between the Corporation and the Lenders in substantially the form presented to the Board (the "Loan Agreement") be, and the same hereby is, approved and adopted in all respects and that the officers or agents of the Corporation, and each of them, are hereby authorized, directed and empowered to make, execute and deliver, either jointly or severally, for and on behalf of and in the name of the Corporation, the Loan Agreement with such changes thereto as the person executing the same shall approve, such approval to be conclusively evidenced by the execution and delivery thereof, and any other agreements (including without limitation, any guaranties and any reaffirmations) with the Lenders relating to the terms and conditions upon which the postpetition loans, advances and other financial accommodations may be obtained from the Lenders and to the security to be furnished by the Corporation therefor, related Uniform Commercial Code financing statements, and any and all amendments, supplements, modifications, extensions, renewals, replacements and agreements, documents and instruments relating to the foregoing or requested by the Lenders;

RESOLVED FURTHER, that any of the officers or agents of the Corporation, and each of them, are hereby authorized, directed and empowered, for and on behalf of and in the name of the Corporation (a) to borrow from the Lenders such amount or amounts of money or obtain postpetition loans, advances and such other financial accommodations as may be made available to the Corporation by the Lenders pursuant to the Loan Agreement and (b) to extend or renew any loan or loans or any installment of principal or interest thereof, or any indebtedness owing to the Lenders pursuant to the Loan Agreement;

RESOLVED FURTHER, that the officers and agents of the Corporation, and each of them, for and on behalf of and in the name of the Corporation, are hereby authorized, directed and empowered to make, execute and deliver, from time to time, the note or notes of the Corporation, evidencing said loan or loans, extensions or renewals, and to sell, transfer, lease, assign, hypothecate, set over, otherwise transfer, grant security interests in, or pledge any or all

of the property of the Corporation, real, personal, or mixed, tangible or intangible, now owned or hereafter acquired as security or otherwise, as required under the Loan Agreement.

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re: M T S Incorporated, a California corporation, Debtor.	: : : : : : :	Chapter 11 Case No. 04-_____ () Jointly Administered
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CONSOLIDATED LIST OF CREDITORS HOLDING 50 LARGEST CLAIMS

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE

The following list attached hereto as Exhibit A is a list of the above referenced Debtor's creditors holding the fifty (50) largest unsecured claims. The list is prepared in accordance with Fed.R.Bankr. P. 1007(d) for filing in this Chapter 11 case. The list does not include (1) persons falling under the definition of "insider" as defined in 11 U.S.C. § 101, or (2) secured creditors unless the value of collateral is such that the unsecured deficiency places the creditor among the holders of the fifty (50) largest claims.

Exhibit A

FORM B4 (06/90)

MTS, Incorporated

Debtor

Case No. (If known)

Form 4. LIST OF CREDITORS HOLDING 50 LARGEST UNSECURED CLAIMS ¹

UNITED STATES BANKRUPTCY COURT

DISTRICT OF DELAWARE

Following is a list of the debtor's creditors holding the 50 largest unsecured claims. The list is prepared in accordance with FED. R. Bankr. P. 1007(d) for the filing in this chapter 11 [or chapter 9] case. The list does not include (1) persons who come within the definition of 'insider' set forth in 11 U.S.C. § 101(31), or (2) secured creditors unless the value of the collateral is such that the unsecured deficiency places the creditor among the holders of the 50 largest unsecured claims.

The information herein shall not constitute an admission of liability by, nor is it binding on, the Debtors. This list is consolidated for all of the Debtors, but does not mean that all of the Debtors have joint or several liability. This list reflects amounts as of January 23, 2004.

Name of creditor and complete mailing address, including zip code.	Name, telephone number and complete mailing address, including zip code, of employee, agent, or department of creditor familiar with claim who may be contacted	Nature of claim (trade debt, bank loan, government contract, etc.)	CONTINGENT	UNLIQUIDATED	DISPUTED	AMOUNT OF CLAIM (If secured also state value of security)
1 US BANK CORPORATE TRUST SERVICES P.O. BOX 778 BOSTON, MA 02102-0778	US BANK CORPORATE TRUST SERVICES P.O. BOX 778 BOSTON, MA 02102-0778 ATTN: MARY PARKHOUSE TEL: (617) 603-6429 FAX: (617) 603-6640	INDENTURE TRUSTEE FOR \$110 MILLION BOND OBLIGATION ²				\$110,000,000.00
2 UNIVERSAL MUSIC & VIDEO 9999 E. 121ST ST. FISHERS, IN 46038	UNIVERSAL MUSIC & VIDEO 9999 E. 121ST ST. FISHERS, IN 46038 ATTN: JOHN KAHLOW TEL: (317) 595-5176 FAX: (317) 595-5451	AP VENDOR				\$15,619,969.67
3 WEA DISTRIBUTION 3400 WEST OLIVE AVE. 6TH FLOOR BURBANK, CA 91505	WEA DISTRIBUTION 3400 WEST OLIVE AVE. 6TH FLOOR BURBANK, CA 91505 ATTN: KIRSTIN STACHOWIAK TEL: (805) 579-1243 FAX: (805) 579-1436	AP VENDOR				\$13,696,312.61
4 SONY MUSIC ENTERTAINMENT 2100 COLORADO AVE., 3RD FLOOR SANTA MONICA, CA 90404	SONY MUSIC ENTERTAINMENT 2100 COLORADO AVE., 3RD FLOOR SANTA MONICA, CA 90404 ATTN: RICH CAZIN TEL: (310) 449-2440 FAX: (310) 449-2443	AP VENDOR				\$7,134,391.25

¹ The above information is based upon a review of the debtor's books and records. However, no comprehensive legal and/or factual investigations with regard to possible defenses or counterclaims to the below-listed claims have been completed. Therefore, this listing does not and should not be deemed to constitute: (1) a waiver of any defense, counterclaim or offset to the below-listed claims; (2) an acknowledgment of the allowability of any of the below-listed claims; and/or (3) a waiver of any other right or legal position of the debtor.

² See Annex A for a list of largest bond holders known to the debtor.

FORM B4 (06-90)

MTS, Incorporated

Debtor

Case No. (If known)

Form 4. LIST OF CREDITORS HOLDING 50 LARGEST UNSECURED CLAIMS ¹
(Continuation Sheet)

Name of creditor and complete mailing address, including zip code.	Name, telephone number and complete mailing address, including zip code, of employee, agent, or department of creditor familiar with claim who may be contacted	Nature of claim (trade debt, bank loan, government contract, etc.)	CONTINGENT	UNLIQUIDATED	DISPUTED	AMOUNT OF CLAIM (if secured also state value of security)
5 BMG DISTRIBUTION 8750 WILSHIRE BLVD. BEVERLY HILLS, CA 90211	BMG DISTRIBUTION 8750 WILSHIRE BLVD. BEVERLY HILLS, CA 90211 ATTN: JACKIE ROTTMAN TEL: (310) 358-4083 FAX: (310) 358-4073	AP VENDOR				\$7,095,783.82
6 WHV/WARNER HOME VIDEO CREDIT 3601 W. OLIVE BLVD. SUITE 800 BURBANK, CA 91505	WHV/WARNER HOME VIDEO CREDIT 3601 W. OLIVE BLVD. SUITE 800 BURBANK, CA 91505 ATTN: SEAN DOWD TEL: (818) 977-8972 FAX: (818) 729-1808	AP VENDOR				\$3,311,393.95
7 EMI MUSIC DISTRIBUTION 501 FLYNN ROAD CAMARILLO, CA 93012	EMI MUSIC DISTRIBUTION 501 FLYNN ROAD CAMARILLO, CA 93012 ATTN: JIM THEODOLOU TEL: (805) 384-5663 FAX: (805) 384-5674	AP VENDOR				\$2,774,306.50
8 VENTURA DISTRIBUTION, INC 770 LAWRENCE DR. THOUSAND OAKS, CA 91320	VENTURA DISTRIBUTION, INC 770 LAWRENCE DR. THOUSAND OAKS, CA 91320 ATTN: CHERYL HERNANDEZ TEL: (888) 499-3700 FAX: (805) 498-7842	AP VENDOR				\$1,773,632.68
9 NAVARRE CORPORATION 7400 49TH AVENUE NORTH NEW HOPE, MN 55428	NAVARRE CORPORATION 7400 49TH AVENUE NORTH NEW HOPE, MN 55428 ATTN: PAT YOUNG TEL: (800) 728-4000 FAX: (612) 533-2156	AP VENDOR				\$1,655,594.24

¹ The above information is based upon a review of the debtor's books and records. However, no comprehensive legal and/or factual investigations with regard to possible defenses or counterclaims to the below-listed claims have been completed. Therefore, this listing does not and should not be deemed to constitute: (1) a waiver of any defense, counterclaim or offset to the below-listed claims; (2) an acknowledgment of the allowability of any of the below-listed claims; and/or (3) a waiver of any other right or legal position of the debtor.

FORM B4 (06-90)

MTS, Incorporated

Debtor

Case No. (If known)

Form 4. LIST OF CREDITORS HOLDING 50 LARGEST UNSECURED CLAIMS ¹
(Continuation Sheet)

Name of creditor and complete mailing address, including zip code.	Name, telephone number and complete mailing address, including zip code, of employee, agent, or department of creditor familiar with claim who may be contacted	Nature of claim (trade debt, bank loan, government contract, etc.)	CONTINGENT	UNLIQUIDATED	DISPUTED	AMOUNT OF CLAIM (if secured also state value of security)
10 IMAGE ENTERTAINMENT, INC 9333 OSO AVENUE CHATS WORTH, CA 91311	IMAGE ENTERTAINMENT, INC 9333 OSO AVENUE CHATS WORTH, CA 91311 ATTN: KRISTI KATILAVAS TEL: (818) 407-9100 FAX: (818) 407-9330	AP VENDOR				\$1,471,729.33
11 SONY RED C/O MELLON BANK 2100 COLORADO AVE., 3RD FLOOR SANTA MONICA, CA 90404	SONY RED C/O MELLON BANK 2100 COLORADO AVE., 3RD FLOOR SANTA MONICA, CA 90404 ATTN: RICH CAZIN TEL: (310) 449-2440 FAX: (310) 449-2443	AP VENDOR				\$1,456,763.36
12 INTERNATIONAL PERIODICAL 27500 RIVERVIEW CENTER BLVD SUITE 400 BONITA SPRINGS, FL 34134	INTERNATIONAL PERIODICAL 27500 RIVERVIEW CENTER BLVD SUITE 400 BONITA SPRINGS, FL 34134 ATTN: SANDRA GEYSER TEL: (239) 949-4450 FAX: (239) 949-7632	AP VENDOR				\$1,039,842.35
13 PARAMOUNT HOME VIDEO 5555 MELROSE AVENUE LOS ANGELES, CA 90038	PARAMOUNT HOME VIDEO 5555 MELROSE AVENUE LOS ANGELES, CA 90038 ATTN: ANDI MARYGOLD TEL: (323) 956-5489 FAX: (323) 862-1183	AP VENDOR				\$1,027,989.29
14 MGM HOME ENTERTAINMENT 2450 BROADWAY, E-5260 SANTA MONICA, CA 90404-3061	MGM HOME ENTERTAINMENT 2450 BROADWAY, E-5260 SANTA MONICA, CA 90404-3061 ATTN: JOHN ROUSSEY TEL: (310) 586-8366 FAX: (310) 586-8390	AP VENDOR				\$791,217.51

¹ The above information is based upon a review of the debtor's books and records. However, no comprehensive legal and/or factual investigations with regard to possible defenses or counterclaims to the below-listed claims have been completed. Therefore, this listing does not and should not be deemed to constitute: (1) a waiver of any defense, counterclaim or offset to the below-listed claims; (2) an acknowledgment of the allowability of any of the below-listed claims; and/or (3) a waiver of any other right or legal position of the debtor.

FORM B4 (06/90)

MTS, Incorporated

Debtor

Case No. (If known)

Form 4. LIST OF CREDITORS HOLDING 50 LARGEST UNSECURED CLAIMS ¹
(Continuation Sheet)

Name of creditor and complete mailing address, including zip code.	Name, telephone number and complete mailing address, including zip code, of employee, agent, or department of creditor familiar with claim who may be contacted	Nature of claim (trade debt, bank loan, government contract, etc.)	CONTINGENT	UNLIQUIDATED	DISPUTED	AMOUNT OF CLAIM (If secured also state value of security)
15 COLUMBIA TRISTAR HOME VIDEO 10202 W WASHINGTON BLVD. SPP STE.2404 CULVER CITY, CA 90232	COLUMBIA TRISTAR HOME VIDEO 10202 W WASHINGTON BLVD SPP STE.2404 CULVER CITY, CA 90232 ATTN: DAN STEVES TEL: (310) 244-3672 FAX: (310) 244-4886	AP VENDOR				\$693,325.40
16 EAGLES RECORDING CO II 21650 OXNARD ST., SUITE 1925 WOODLAND HILLS CA 91367-2000	EAGLES RECORDING CO II 21650 OXNARD ST., SUITE 1925 WOODLAND HILLS, CA 91367-2000 ATTN: IRVING AZOFF (MANAGER) TEL: (310) 209-3100 FAX: (310) 209-3132	AP VENDOR				\$639,276.00
17 HARMONIA MUNDI U.S.A 1117 CHESTNUT STREET BURBANK, CA 91506	HARMONIA MUNDI U.S.A 1117 CHESTNUT STREET BURBANK, CA 91506 ATTN: MILCE AGUILAR TEL: (818) 333-1500 FAX: (818) 333-1502	AP VENDOR				\$606,704.94
18 RESPOND2 ENTERTAINMENT LLC 207 NW PARK AVE PORTLAND OR 97209	RESPOND2 ENTERTAINMENT LLC 207 NW PARK AVE PORTLAND, OR 97209 ATTN: JOHN GRANT (CONTROLLER) TEL: (503) 276-4094 FAX: (971) 544-3585	AP VENDOR				\$570,188.40
19 AEC ONE STOP GROUP INC 4250 CORAL RIDGE DR CORAL SPRINGS, FL 33065	AEC ONE STOP GROUP INC 4250 CORAL RIDGE DR CORAL SPRINGS, FL 33065 ATTN: ELAINE TEL: (954) 255-4879 FAX: (954) 255-4825	AP VENDOR				\$350,307.84

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FORM B4 (06-90)

MIS, Incorporated

Debtor

Case No. (If known)

Form 4. LIST OF CREDITORS HOLDING 50 LARGEST UNSECURED CLAIMS ¹
(Continuation Sheet)

Name of creditor and complete mailing address, including zip code.	Name, telephone number and complete mailing address, including zip code, of employee, agent, or department of creditor familiar with claim who may be contacted	Nature of claim (trade debt, bank loan, government contract, etc.)	CONTINGENT	UNLIQUIDATED	DISPUTED	AMOUNT OF CLAIM (if secured also state value of security)
20 VIDEO PRODUCTS DISTR 150 PARKSHORE DRIVE FOLSOM, CA 95630	VIDEO PRODUCTS DISTR 150 PARKSHORE DRIVE FOLSOM, CA 95630 ATTN: SHERI JAMESON TEL: (916) 605-1565 FAX: (916) 605-1652	AP VENDOR				\$533,540.30
21 KOCH ENTERTAINMENT 22 HARBOR PARK DR PORT WASHINGTON NY 11050	KOCH ENTERTAINMENT 22 HARBOR PARK DR PORT WASHINGTON NY 11050 ATTN: JIM HARDY TEL: (516) 484-1000 FAX: (516) 484-4775	AP VENDOR				\$434,998.84
22 MUSIC VIDEO DISTRIBUTORS P.O. BOX 280 OAKS, PA 19456	MUSIC VIDEO DISTRIBUTORS P.O. BOX 280 OAKS, PA 19456 ATTN: DAVE BRUNO TEL: (800) 888-0486 FAX: (610) 650-9102	AP VENDOR				\$398,642.95
23 INNOVATIVE DISTRIBUTION NETWORK 4250 CORAL RIDGE DR. CORAL SPRINGS, FL 33065	INNOVATIVE DISTRIBUTION NETWORK 4250 CORAL RIDGE DR. CORAL SPRINGS, FL 33065 ATTN: KARLA STEELE ROMANO X4658 TEL: (954) 255-4658 FAX: (212) 255-4698	AP VENDOR				\$398,608.36
24 MAXELL CORP OF AMERICA 22-08 ROUTE 208 FAIRLAWN, NJ 07410	MAXELL CORP OF AMERICA 22-08 ROUTE 208 FAIRLAWN, NJ 07410 ATTN: JOE DEFEO TEL: (800) 533-2836 X5959 FAX: (201) 796-8797	AP VENDOR				\$387,525.76

¹ The above information is based upon a review of the debtor's books and records. However, no comprehensive legal and/or factual investigations with regard to possible defenses or counterclaims to the below-listed claims have been completed. Therefore, this listing does not and should not be deemed to constitute: (1) a waiver of any defense, counterclaim or offset to the below-listed claims; (2) an acknowledgment of the allowability of any of the below-listed claims; and/or (3) a waiver of any other right or legal position of the debtor.

FORM B4 (06-90)

MTS, Incorporated

Debtor

Case No. (If known)

Form 4. LIST OF CREDITORS HOLDING 50 LARGEST UNSECURED CLAIMS ¹
(Continuation Sheet)

Name of creditor and complete mailing address, including zip code.	Name, telephone number and complete mailing address, including zip code, of employee, agent, or department of creditor familiar with claim who may be contacted	Nature of claim (trade debt, bank loan, government contract, etc.)	CONTINGENT	UNLIQUIDATED	DISPUTED	AMOUNT OF CLAIM (if secured also state value of security)
25 CAROLINE RECORDS 501 FLYNN ROAD CAMARILLO, CA 93012	CAROLINE RECORDS 501 FLYNN ROAD CAMARILLO, CA 93012 ATTN: JIM THEODOLOU TEL: (805) 384-5663 FAX: (805) 384-5674	AP VENDOR				\$372,555.28
26 SELECT-O-HITS INC. 1981 FLETCHER CREEK DR MEMPHIS, TN 38133	SELECT-O-HITS, INC. 1981 FLETCHER CREEK DR MEMPHIS, TN 38133 ATTN: DENISE JOHNSON TEL: (901) 388-1190 FAX: (901) 388-1243	AP VENDOR				\$355,266.42
27 CITY HALL RECORDS 101 GLACIER POINT RD. SUITE C SAN RAFAEL, CA 94901	CITY HALL RECORDS 101 GLACIER POINT RD. SUITE C SAN RAFAEL, CA 94901 ATTN: DAVID EVANS TEL: (415) 457-9080 FAX: (415) 457-0780	AP VENDOR				\$345,899.48
28 TELARC INTERNATIONAL CORP 23307 COMMERCE PARK RD CLEVELAND, OH 44122	TELARC INTERNATIONAL CORP 23307 COMMERCE PARK RD CLEVELAND, OH 44122 ATTN: KAREN BURNS TEL: (216) 464-2313 FAX: (216) 464-4108	AP VENDOR				\$341,246.31
29 KOEN BOOK DISTRIBUTORS 10 TWOSOME DR P.O. BOX 600 MOORESTOWN, NJ 08057	KOEN BOOK DISTRIBUTORS 10 TWOSOME DR P.O. BOX 600 MOORESTOWN, NJ 08057 ATTN: TONY GANGEMI TEL: (800) 257-8481 FAX: (856) 727-6914	AP VENDOR				\$337,917.35

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FORM B4 (06/90)

MTS, Incorporated

Debtor

Case No. (If known)

Form 4. LIST OF CREDITORS HOLDING 50 LARGEST UNSECURED CLAIMS ¹

(Continuation Sheet)

Name of creditor and complete mailing address, including zip code.	Name, telephone number and complete mailing address, including zip code, of employee, agent, or department of creditor familiar with claim who may be contacted	Nature of claim (trade debt, bank loan, government contract, etc.)	CONTINGENT	UNLIQUIDATED	DISPUTED	AMOUNT OF CLAIM (if secured also state value of security)
30 ELECTRO SOURCE, LLC 1840 E. 27TH ST. VERNON, CA 90058	ELECTRO SOURCE, LLC 1840 E. 27TH ST. VERNON, CA 90058 ATTN: MIKE PLACIDO TEL: (323) 234-9911 FAX: (323) 234-9922	AP VENDOR				\$299,115.50
31 NAXOS OF AMERICA, INC. 416 MARY LINDSAY POLK DR. SUITE 509 FRANKLIN, TN 37067	NAXOS OF AMERICA, INC. 416 MARY LINDSAY POLK DR. SUITE 509 FRANKLIN, TN 37067 ATTN: RICHARD BIGGS TEL: (615) 771-9393 FAX: (615) 771-6747	AP VENDOR				\$266,425.18
32 HAL LEONARD PUBL. CORP. 960 EAST MARK STREET WINONA, MN 55987	HAL LEONARD PUBL. CORP. 960 EAST MARK STREET WINONA, MN 55987 ATTN: JEAN PAPENFUSS TEL: (507) 454-2920 FAX: (507) 454-4042	AP VENDOR				\$265,671.91
33 TEE VEE TOONS INC. 23 EAST 4TH STREET NEW YORK, NY 10003	TEE VEE TOONS INC. 23 EAST 4TH STREET NEW YORK, NY 10003 ATTN: DAVID GLICK TEL: (212) 979-6410 FAX: (212) 979-6489	AP VENDOR				\$254,699.16
34 FANTASY, INC. 2600 TENTH STREET BERKELEY, CA 94710	FANTASY, INC. 2600 TENTH STREET BERKELEY, CA 94710 ATTN: RALPH KAFFEL TEL: (800) 227-0466 FAX: (510) 486-2015	AP VENDOR				\$235,235.91

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FORM B4 (06-90)

MTS, Incorporated

Debtor

Case No. (If known)

Form 4. LIST OF CREDITORS HOLDING 50 LARGEST UNSECURED CLAIMS ¹
(Continuation Sheet)

Name of creditor and complete mailing address, including zip code.	Name, telephone number and complete mailing address, including zip code, of employee, agent, or department of creditor familiar with claim who may be contacted	Nature of claim (trade debt, bank loan, government contract, etc.)	CONTINGENT	UNLIQUIDATED	DISPUTED	AMOUNT OF CLAIM (If secured also state value of security)
35 DELTA ENTERTAINMENT CORP 1663 SAWTELLE BLVD LOS ANGELES CA 90025	DELTA ENTERTAINMENT CORP. 1663 SAWTELLE BLVD LOS ANGELES, CA 90025 ATTN: ROB SIMS X115 TEL: (310) 268-1205 FAX: (310) 268-1279	AP VENDOR				\$225,599.57
36 MODEL DISTRIBUTORS 318 WEST 39TH ST 9TH FLOOR NEW YORK, NY 10018	MODEL DISTRIBUTORS 318 WEST 39TH ST 9TH FLOOR NEW YORK, NY 10018 ATTN: HOWARD SCHISLER TEL: (800) 221-3420 FAX: (212) 727-0590	AP VENDOR				\$224,890.72
37 LOS ANGELES TIMES PO BOX 60040 LOS ANGELES CA 90099-0021	LOS ANGELES TIMES PO BOX 60040 LOS ANGELES, CA 90099-0021 ATTN: OLIVIA SULLIVAN TEL: (213) 237-7979 FAX: (213) 237-6184	AP VENDOR - OPERATIONAL				\$212,948.27
38 DIAMOND COMICS INC. 1966 GREENSPRING DRIVE, SUITE 300 TIMONIUM MD 21093	DIAMOND COMICS INC. 1966 GREENSPRING DRIVE, SUITE 300 TIMONIUM, MD 21093 ATTN: BETH TRACEY TEL: (800) 452-6642 FAX: (410) 560-7145	AP VENDOR				\$200,351.95
39 PRO LINE PRINTING INC P.O. BOX 409527 ATLANTA GA 30384-9527	PRO LINE PRINTING, INC P.O. BOX 409527 ATLANTA, GA 30384-9527 ATTN: KAREN SCOFIELD TEL: (817) 401-9810 X108 FAX: (817) 401-8715	AP VENDOR - OPERATIONAL				\$200,205.31

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FORM 84 (06/90)

MTS, Incorporated

Debtor

Case No. (If known)

Form 4. LIST OF CREDITORS HOLDING 50 LARGEST UNSECURED CLAIMS ¹

(Continuation Sheet)

Name of creditor and complete mailing address, including zip code.	Name, telephone number and complete mailing address, including zip code, of employee, agent, or department of creditor familiar with claim who may be contacted	Nature of claim (trade debt, bank loan, government contract, etc.)	CONTINGENT	UNLIQUIDATED	DISPUTED	AMOUNT OF CLAIM (If secured also state value of security)
40 MUSICRAMA, INC 43-01 22 ST 6TH FLOOR LONG ISLAND CITY, NY 11101	MUSICRAMA, INC 43-01 22 ST 6TH FLOOR LONG ISLAND CITY, NY 11101 ATTN: ANETA SNIAROWSKI TEL: (718) 389-7818 FAX: (718) 383-5152	AP VENDOR				\$197,490.83
41 FEDEX P O BOX 1140 MEMPHIS, TN 38101-1140	FEDEX P O BOX 1140 MEMPHIS, TN 38101-1140 ATTN: LINDA TEL: (800) 622-1147 FAX: (559) 294-1903	AP VENDOR - OPERATIONAL				\$193,145.12
42 GOTHAM DISTRIBUTING CORP 60 PORTLAND RD CONSHOHOCKEN, PA 19428	GOTHAM DISTRIBUTING CORP 60 PORTLAND RD CONSHOHOCKEN, PA 19428 ATTN: TERRI ZADRAGA TEL: (610) 649-7650 FAX: (610) 649-0315	AP VENDOR				\$191,747.58
43 BIG DADDY MUSIC DISTRIBUTION, INC 162 NORTH 8TH ST KENILWORTH, NJ 07033	BIG DADDY MUSIC DISTRIBUTION, INC 162 NORTH 8TH ST KENILWORTH, NJ 07033 ATTN: DOUGLAS S BAIL TEL: (908) 653-9110 FAX: (908) 653-9114	AP VENDOR				\$189,067.46
44 MPI HOME VIDEO 16101 SOUTH 108TH AVENUE ORLAND PARK, IL 60462	MPI HOME VIDEO 16101 SOUTH 108TH AVENUE ORLAND PARK, IL 60462 ATTN: GINA DAMON TEL: (708) 460-0555 FAX: (708) 873-3177	AP VENDOR				\$183,543.15

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FORM B4 (06/90)

MTS, Incorporated

Debtor

Case No. (If known)

Form 4. LIST OF CREDITORS HOLDING 50 LARGEST UNSECURED CLAIMS ¹
(Continuation Sheet)

Name of creditor and complete mailing address, including zip code.	Name, telephone number and complete mailing address, including zip code, of employee, agent, or department of creditor familiar with claim who may be contacted	Nature of claim (trade debt, bank loan, government contract, etc.)	CONTINGENT	UNLIQUIDATED	DISPUTED	AMOUNT OF CLAIM (if secured also state value of security)
45. FUNKY ENTERPRISES, INC 132-05 ATLANTIC AVENUE RICHMOND HILL, NY 11418	FUNKY ENTERPRISES, INC 132-05 ATLANTIC AVENUE RICHMOND HILL, NY 11418 ATTN: TONY GUZMAN TEL: (800) 221-6730 FAX: (718) 847-2760	AP VENDOR				\$182,086.31
46. JOCELYN ENRIQUEZ 1415 EWING DRIVE CHULA VISTA, CA 91911	JOCELYN ENRIQUEZ 1415 EWING DRIVE CHULA VISTA, CA 91911 ATTN: JOCELYN ENRIQUEZ TEL: (619) 216-7287 FAX: N/A	AP VENDOR				\$170,203.65
47. NEW YORK TIMES CO. P.O. BOX 19218 NEWARK, NJ 07195-0001	NEW YORK TIMES CO. P.O. BOX 19218 NEWARK, NJ 07195-0001 ATTN: ROB CASCARINO TEL: (415) 438-6557 FAX: (415) 438-6541	AP VENDOR - OPERATIONAL				\$168,667.50
48. NEW WORLD MUSIC, INC PO BOX 2633 PALM SPRINGS, CA 92263-2633	NEW WORLD MUSIC, INC PO BOX 2633 PALM SPRINGS, CA 92263-2633 ATTN: MICHAEL HAMILTON TEL: (760) 318-7023 FAX: (760) 318-7024	AP VENDOR				\$149,223.99
49. LIONS GATE/VIDMARK ENTERTAINMENT 4553 GLENCOE AVENUE, SUITE 200 MARINA DEL REY, CA 90292	LIONS GATE/VIDMARK ENTERTAINMENT 4553 GLENCOE AVENUE, SUITE 200 MARINA DEL REY, CA 90292 ATTN: CAROL CYR TEL: (310) 314-2000 FAX: (310) 452-9614	AP VENDOR				\$145,815.09

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FORM B4 (06-99)

MTS, Incorporated

Debtor

Case No. (If known)

Form 4. LIST OF CREDITORS HOLDING 50 LARGEST UNSECURED CLAIMS ¹

(Continuation Sheet)

Name of creditor and complete mailing address, including zip code.	Name, telephone number and complete mailing address, including zip code, of employee, agent, or department of creditor familiar with claim who may be contacted	Nature of claim (trade debt, bank loan, government contract, etc.)	CONTINGENT	UNLIQUIDATED	DISPUTED	AMOUNT OF CLAIM (If secured also state value of security)
50 J.T.J. EMPIRE RECORDS P.O. BOX 16039 ENCINO, CA 91416	J.T.J. EMPIRE RECORDS P.O. BOX 16039 ENCINO, CA 91416 ATTN: JEROME WOODS TEL: (818) 264-7339 FAX: N/A	AP VENDOR				\$141,041.63

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ANNEX A

MTS, Incorporated - Largest Bond Holders

Institution
ADP/ICS
AIG Investment Group
Banc One High Yield Partners
Barclays Capital Inc.
Barclays Bank PLC
Barclay London
Bear, Stearns Securities Corp.
Boulder Investment Advisors
Citicorp
Columbia Management Group
Credit Suisse Asset Management
DB Distressed Opportunities Fund Ltd c/o Deutsche FD Admin Svces (Ireland Ltd)
Euroclear
Goldman Sachs & Co.
Greyhen Partners, LP
Gryphon Master Fund Ltd c/o Gryphon Mgmt Partners Ltd
Highland Capital Management
JP Morgan Chase
Levine Inv Limited Partnership
LoneStar Capital Management, LLC
LoneStar Partners LP
Mellon Bank
Mellon Trust of New England, N.A.
Morgan Stanley & Co, Inc.
Muzinich & Company
MW Post Portfolio Fund Ltd
Walkers Spv Ltd
MW Post Opportunity Offshore Fund Ltd
The Opportunity Fund LLC
Pacholder
Post Opportunity Fund LP
Post Advisory Group
Quattro Fund Ltd
Sphinx Distressed Fund Spc
Sphinx Distressed Fund MW Post Opportunity
State of South Dakota Retirement System Fund
State Street Bank & Trust Co.
UBS Financial Services, Inc.

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

**M T S Incorporated, a California
corporation,**

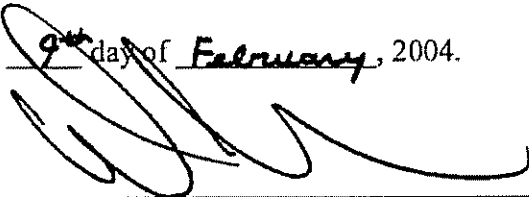
Debtor.

**: Chapter 11
:
:
: Case No. 04-____ ()
: Jointly Administered
:
:
:**

**DECLARATION UNDER PENALTY OF PERJURY
REGARDING DEBTOR'S LIST OF FIFTY LARGEST UNSECURED CLAIMS**

THE UNDERSIGNED, A DULY AUTHORIZED OFFICER OF THE ABOVE-NAMED Debtor, a California corporation, hereby certifies under penalty of perjury that the foregoing list of fifty (50) largest unsecured claims reflects the Debtor's creditors that could be ascertained after diligent inquiry, and is correct and consistent with the Debtor's books and records. To the extent practicable, the Creditor List complies with Del. Bankr. LR 1007-1(a).

I declare under penalty of perjury and pursuant to Del. Bankr. LR 1007-1(a) the foregoing is true and correct. Executed this 9th day of February, 2004.



DeVaughn Searson
Executive Vice President, Chief Financial Office,
Secretary and Treasurer

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

<p>In re:</p> <p>M T S Incorporated, a California corporation,</p> <p style="text-align: right;">Debtor.</p>	: : : : : : : : :	<p>Chapter 11</p> <p>Case No. 04-_____ ()</p> <p>Jointly Administered</p>
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LIST OF EQUITY SECURITY HOLDERS

The Equity Security Holder for the Debtor in the above captioned case is:

<u>Name</u>	<u>Address</u>	<u>Equity Holdings</u>
Tower Records, Incorporated	2500 Del Monte St. West Sacramento, CA 95691	100% Holder of Issued and Outstanding Shares

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

**M T S Incorporated, a California
corporation,**

Debtor.

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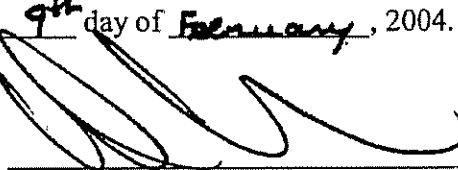
Chapter 11

**Case No. 04-_____ ()
Jointly Administered**

**DECLARATION UNDER PENALTY OF PERJURY
REGARDING DEBTOR'S LIST OF EQUITY SECURITY HOLDERS**

THE UNDERSIGNED, A DULY AUTHORIZED OFFICER OF THE ABOVE-NAMED Debtor, a California corporation, hereby certifies under penalty of perjury that the attached list of equity security holders (the "List of Equity Security Holders") reflects the Debtor's equity security holders that could be ascertained after diligent inquiry, and is correct and consistent with the Debtor's books and records. To the extent practicable, the List of Equity Security Holders complies with Del. Bankr. LR 1007-1(a).

I declare under penalty of perjury and pursuant to Del. Bankr. LR 1007-1(a) the foregoing is true and correct. Executed this 9th day of February, 2004.



DeVaughn Searson
Executive Vice President, Chief Financial Office,
Secretary and Treasurer

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re: M T S Incorporated, a California corporation, Debtor.	: : : : : : : : : :	Chapter 11 Case No. 04-_____ () Jointly Administered
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CONSOLIDATED LIST OF CREDITORS

The debtor in this Chapter 11 case and certain affiliated entities (collectively, the "Debtors") each filed a petition in this Court on February 9, 2004 for relief under chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§101-1330. Due to its voluminous nature, a single consolidated list of creditors is being submitted to the Court electronically along with this petition.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

M T S Incorporated, a California
corporation,

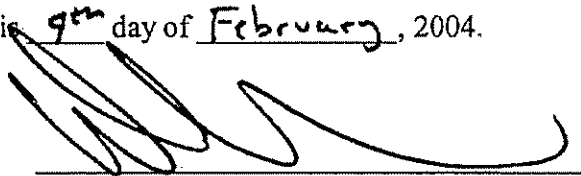
Debtor.

:
: Chapter 11
:
: Case No. 04-_____ ()
: Jointly Administered
:
:
:

**DECLARATION UNDER PENALTY OF PERJURY
REGARDING DEBTOR'S CONSOLIDATED CREDITOR LIST**

THE UNDERSIGNED, A DULY AUTHORIZED OFFICER OF THE ABOVE-NAMED Debtor, a California corporation, hereby certifies under penalty of perjury that the Consolidated Creditor List submitted herewith reflects the Debtor's creditors that could be ascertained after diligent inquiry, and is correct and consistent with the Debtor's books and records. To the extent practicable, the Creditor List complies with Del. Bankr. LR 1007-1(a).

I declare under penalty of perjury and pursuant to Del. Bankr. LR 1007-1(a) the foregoing is true and correct. Executed this 9th day of February, 2004.



DeVaughn Searson
Executive Vice President, Chief Financial Office,
Secretary and Treasurer